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The undersigned, **NORMAN KATZ**, the inventor of the disclosed invention referred to herein as a new and highly utilitarian **INTERNET LETTER CRDIT SYSTEM FOR BUSINESS TRANSACTIONS**, requests that these papers comprised of 24 numbered pages be preserved for two years;

And hereby appoints

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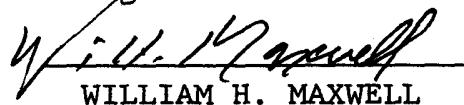
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his attorney or agent to prosecute this Disclosure Document and all business related thereto in the Patent and Trademark Office and to receive the Notice of Filing thereof.

Dated this 1st of July, 1999


NORMAN KATZ

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WILLIAM H. MAXWELL

**Method for Digitally Converting Various Currencies into a System Generated Electronic Intermediary
Currency or Cyber Credits (CC) to Create an Interactive Letter of Credit, Facilitate Electronic
Transactions Between Buyers and Sellers, Trade Currencies and Invest Currency Reserves**

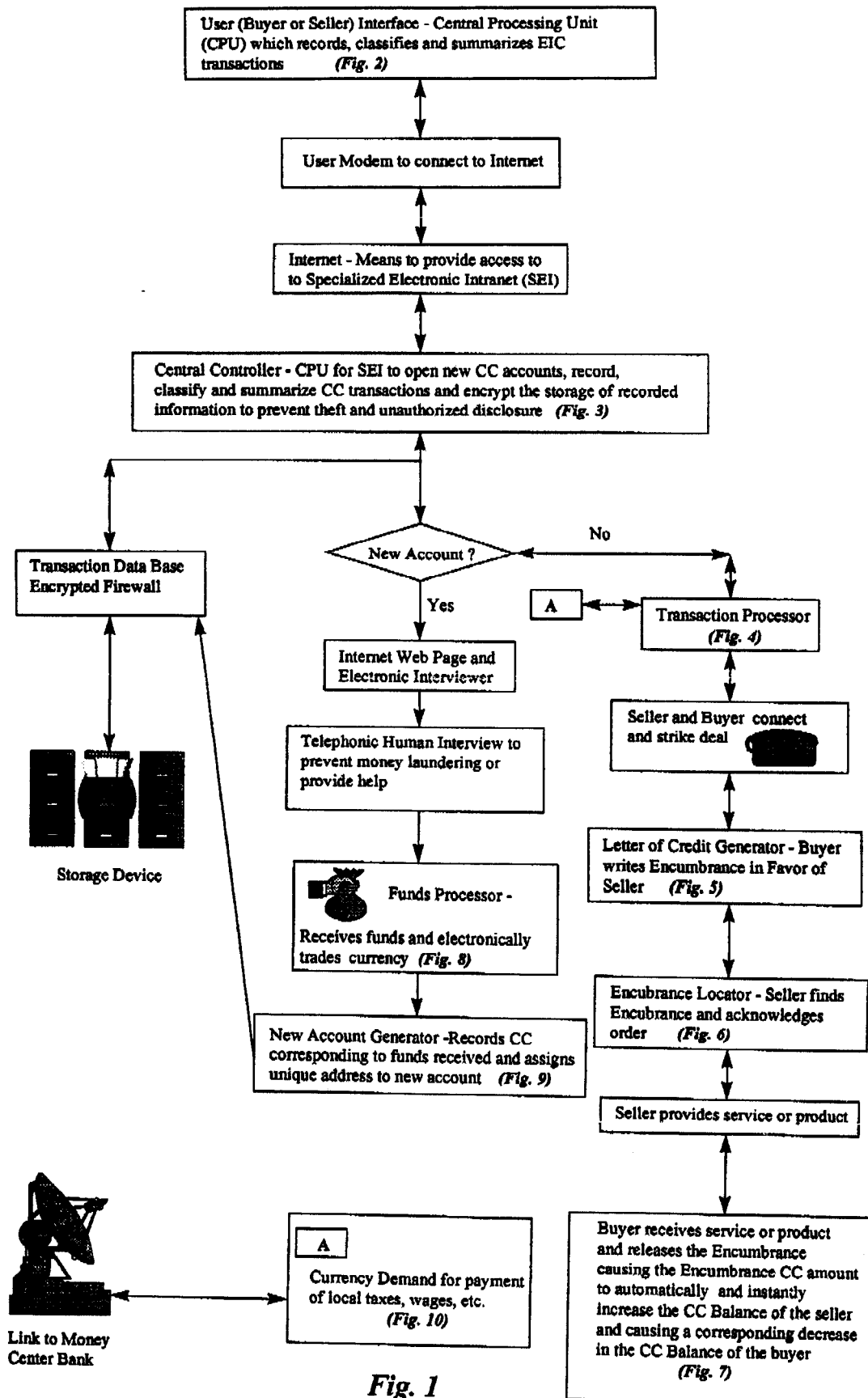


Fig. 1

Fig. 1 Description

Who

Because of the Internet, there is now a growing need in business for a universal electronic money system. CCmoney.com (Cyber Credit money) is an invented process creating Cyber Credit money as the primary medium of exchange, store of value and de-facto legal tender for transactions facilitated through the Internet. According to a Fortune magazine article, \$1.4 trillion in annual Internet transactions will be reached by 2003. 90% of these will be business to business transactions. It will be the goal of CCmoney.com to create the dominant system by which these business transactions are facilitated. Initially the Cyber Credit will be pegged to the U.S. dollar; but, as the fiat currency gains strength and becomes separately quoted by currency traders, Cyber Credits may be allowed to float. Cyber Credits, at all times, will be maximally linked to the international, regional and local electronic banking systems.

What

Cyber Credit accounts will be purchased for dollars or dollar equivalents; i.e., with foreign currency at the exchange rate then in effect. One Cyber Credit will be equal in value to one U.S. dollar. Cyber Credit

balances will be privately insured up to \$100,000 per account. Links to major money center banks will be established for redemption of Cyber Credit balances for payment of taxes, payroll or any other transaction which can not be effected on the Internet. All of the software and hardware needed to make the system work is available off the shelf except for integration systems which can easily be acquired. The invented process is a seamless system for buying and selling almost anything on the Internet. Following are two examples of how the system will work from the perspective of a user.

Example 1: A steel warehouse business in Chicago, IL sells a load of steel to a new customer in Houston, TX. The sale price of the load of steel is \$125,000. Both the seller and the buyer maintain CCmoney.com accounts and the buyer has sufficient Cyber Credits (cc) available in purchasing power. After a phone discussion, the bargain is struck on the Internet. The buyer logs in on his CCmoney.com buying page and enters the name and CCmoney.com address of the seller. He enters his or her authorization identifier (fingerprint, signature, password, etc.) and selects "encumbrance". When prompted, he enters 125,000 cc. The seller then can log onto his selling page and can search for the encumbrance. Once found, he will acknowledge the order

and its terms by entering text. When the shipment is received by the buyer in TX, the buyer will release the encumbrance which will instantly transfer 125,000 cc to the CCmoney.com account of the seller.

The entire transaction is encrypted automatically at each stage by the CCmoney.com system. An encumbrance can only be removed or changed by agreement of the parties or a court order. The seller will have an incentive to ship on time and as specified in the order to gain control over the Cyber Credits set aside for payment and will have the peace of mind from knowing that he probably will be paid. On the other hand, the buyer will have the peace of mind from knowing that, if he is not satisfied with the shipment, he can prevent payment to the seller.

Example 2: A CPA meets with a new client and requests a retainer of \$500. The client advises the CPA that he has a CCmoney.com account and would prefer to encumber the account for 500 cc. Of course, the CPA graciously accepts. The client runs his CCmoney.com debit card through the card scanner in the CPA's office, enters his PIN, presses the encumbrance (credit) button and then the amount of 500 cc. Although the CPA would probably have preferred to have the cash flow from advance payment, such a practice taxes the discipline of the CPA to complete the work. For a service business, matching

payment with completion imposes important control over the profitability of the business. The client feels more secure knowing that he has provided a carrot to encourage quick performance on the part of the CPA. When the CPA completes the tax return and presents it to the client for signature and mailing, the client will again run his CCmoney.com debit card through the CPA's scanner and release the 500 cc encumbrance thereby instantly transferring this sum to the CPA's CCmoney.com account.

The CCmoney.com system described here seems simple because it is simple. Please note that in both the examples given neither seller had to issue an invoice or wait for a check to be received or clear. The buyers did not have to write a check. Paperwork was dramatically reduced. CCmoney.com's system will interface with popular accounting software, such as Intuit's Quicken or Quikbooks, allowing users to record transactions contemporaneously or retrospectively.

Why

There is no doubt that as the globalization trend continues, there is a growing need for a universal standard currency. Just as our present money and banking system was begun by private banks issuing bearer notes, it is likely that the future Internet banking system will begin with privately issued Cyber Credits.

CCmoney.com is a unique money portal.

In the past, most business has been done with parties who have become known to each other over a period of time. Speed and convenience are big advantages intrinsic to the Internet. Having electronic assurances regarding payment and performance created by the CCmoney.com system will allow strangers to do business and will become another major advantage to using the Internet.

Presently business transactions must either be done by credit card, extension of credit by the seller or by letter of credit. All of these methods are more cumbersome than Cyber Credits and considerably more subject to fraud. The CCmoney.com system will enhance confidence in use of the Web.

One of the major costs associated with international transactions is the cost of currency translation and the cost of hedging against potential unfavorable conditions. CCmoney.com will allow users to better manage these costs and reduce the option premiums now associated with exchange rate hedging.

In international trade today, a buyer or a seller must decide to accept or make payment in a foreign currency. This is a multi-step process which consumes much time, effort and money and creates uncertainties in international transactions. CCmoney.com, by

providing a single internationally accepted electronic currency will simplify this process, reduce the risk and facilitate more trade.

For developing economies, such as Russia's, where there is historical distrust of the national currency, Cyber Credits will likely become a preferred currency. The preference to hold Cyber Credits may even be stronger than the preference to hold U.S. dollars if for no other reason than convenience.

As the CCmoney.com system strengthens, the need to redeem Cyber Credits into local currency will certainly diminish and may, to the extent nations adopt Cyber Credits as augmentative legal tender, eventually disappear.

User (Buyer or Seller) Interface - Central Processing Unit (CPU), Modem and Internet

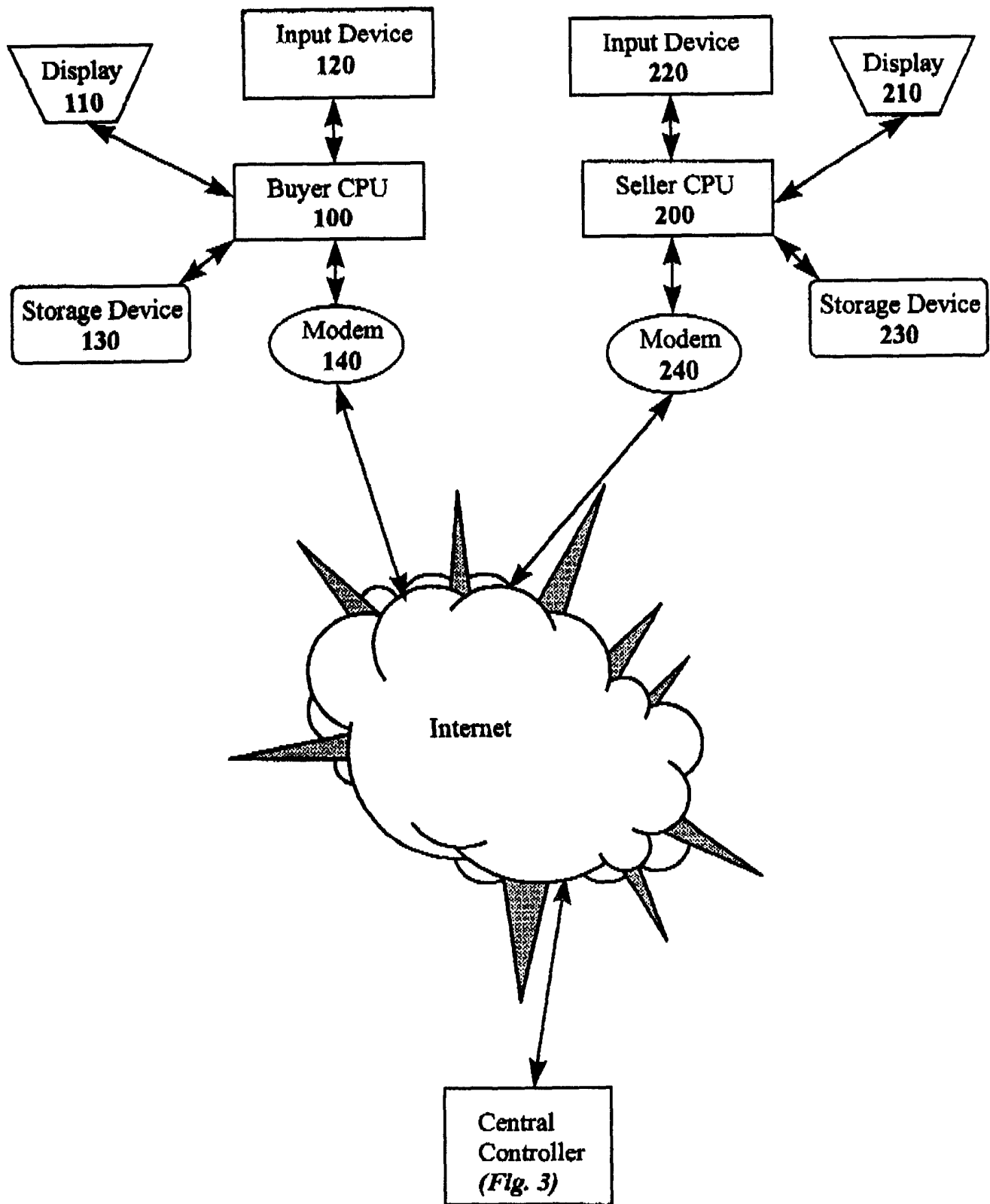


Fig. 2

Fig. 2 Description

Buyer CPU 100 and Seller CPU 200 are central processing units or means for receiving, routing, temporarily storing and responding to digital signals generated by input devices, performing, as a result of such signals, computations or logical thought-like operations according to programmed digital or analog instructions and communicating the results thereof to display and/or more permanent storage devices.

Display 110 and 210 are video, lithium crystal or any means for electronically causing a voice to be heard, visual images to be dynamically or interactively displayed or a document to be printed. 110 is the buyer display as distinguished from 210, the seller display.

Input Device 120 and 220 are keyboard, mouse, card reader, scanner, voice recognition equipment, biometric equipment or any means for converting analog and/or mechanical energy into CPU readable digital signals.

Storage Device 130 and 230 are means for receiving digital signals from the CPU, storing those signals on a medium that will preserve the signals when the power is off and allowing access to the stored signals and their modification by the CPU.

Modem 140 and 240 are means for transmitting digital signals received from the CPU or receiving digital signals to or from other modems.

Operation - The above described system is the front end of the whole system. It is the only part that users of the system see. The back end of the system is seen only by the system managers and operators. There are

basically only two major functions that are of concern to both the front and back end of the system. These are the new accounts function and the transactions function. In the above description the distinction between buyer and seller is only germane to the transactions function. For purposes of describing the front end new accounts system, this distinction is not relevant. Buyers are sometimes sellers and sellers are sometimes buyers.

Front End New Accounts

Operations - A user's desire to open a CC money account is expressed using Input Device 120 or 220. The signal generated by the input device causes CPU 100 or 200 to communicate through Modem 140 or 240 with the web page of the back end system located in the Internet. The web page will then appear on Display 110 or 210 and will request necessary information and action instructions such as the transfer of funds from a bank account. At various points in the interview dialogue, the user will indicate what sort of biometric security input device, encryption system or password will be used. The CC system will maximally accommodate the authorization regime of the user. The user will then download a scrambler and encryption generator unique to a specific machine or specific machines within the user's organization. Finally a unique identification code (CC money account address) will be assigned to the new user. All accounts being opened with an initial balance in excess of a specified amount will be telephonically interviewed by a CC operator trained to screen for money laundering transactions. This person will also be available to help new users get their accounts established. All inputs of the user in response to

the web page interviewer are communicated through the Internet to the Central Controller which automatically controls the web page interviewer.

Front End Transactions Operations

- Once a user has established a CC money account, it can engage as a buyer or seller in a transaction. By telephone, facsimile, e-mail, auction web site or other means of communication, the buyer and seller come to an agreement. Assuming both the buyer and seller have a CC money account, they can use the CC money system to consummate the deal they have struck. In the typical case, the buyer will activate an encumbrance routine by using Input Device 120 to select an instruction from Display 110. The amount of the encumbrance will be equal in CC to the agreed upon price in CC. CC are pegged to the U.S. dollar. Once the CC money account of the buyer has been encumbered in favor of the seller, the amount of the encumbrance in the buyer's CC money account is impounded and can not be used for any purpose other than making payment to the seller. The amount can only be reduced with the participation of the seller, by court order or in rare instances of fraud by a decision of the management of the CC money system. However, in the typical case, the seller will use Input Device 220 to search for the buyer's encumbrance. Once it appears on Display 210, the seller can acknowledge the order by entering text using Input Device 220. When the seller fulfills his commitment, the buyer will call up the encumbrance from Storage Device 130 using Input Device 120 to appear on Display 110. Then using Input Device 120, the buyer will release the encumbrance causing the transfer of the corresponding CC money amount from its CC money account to the CC money account of the seller. Buyer

CPU 100 will facilitate these operations and will automatically activate Modem 140 to communicate through the Internet to the Central Controller that the encumbrance has been released. The seller will receive instant credit and will be able to verify the transfer by using Input Device 220 to access Storage Device 230 which is automatically updated by the Central Controller through the Internet whenever Modem 240 is connected to the Internet. Once the Seller CPU 200 locates the transfer, it transmits the information to Display 210.

Central Controller - CPU for SEI to open new CC accounts, record, classify and summarize CC transactions and encrypt the storage of recorded information to prevent theft and unauthorized disclosure

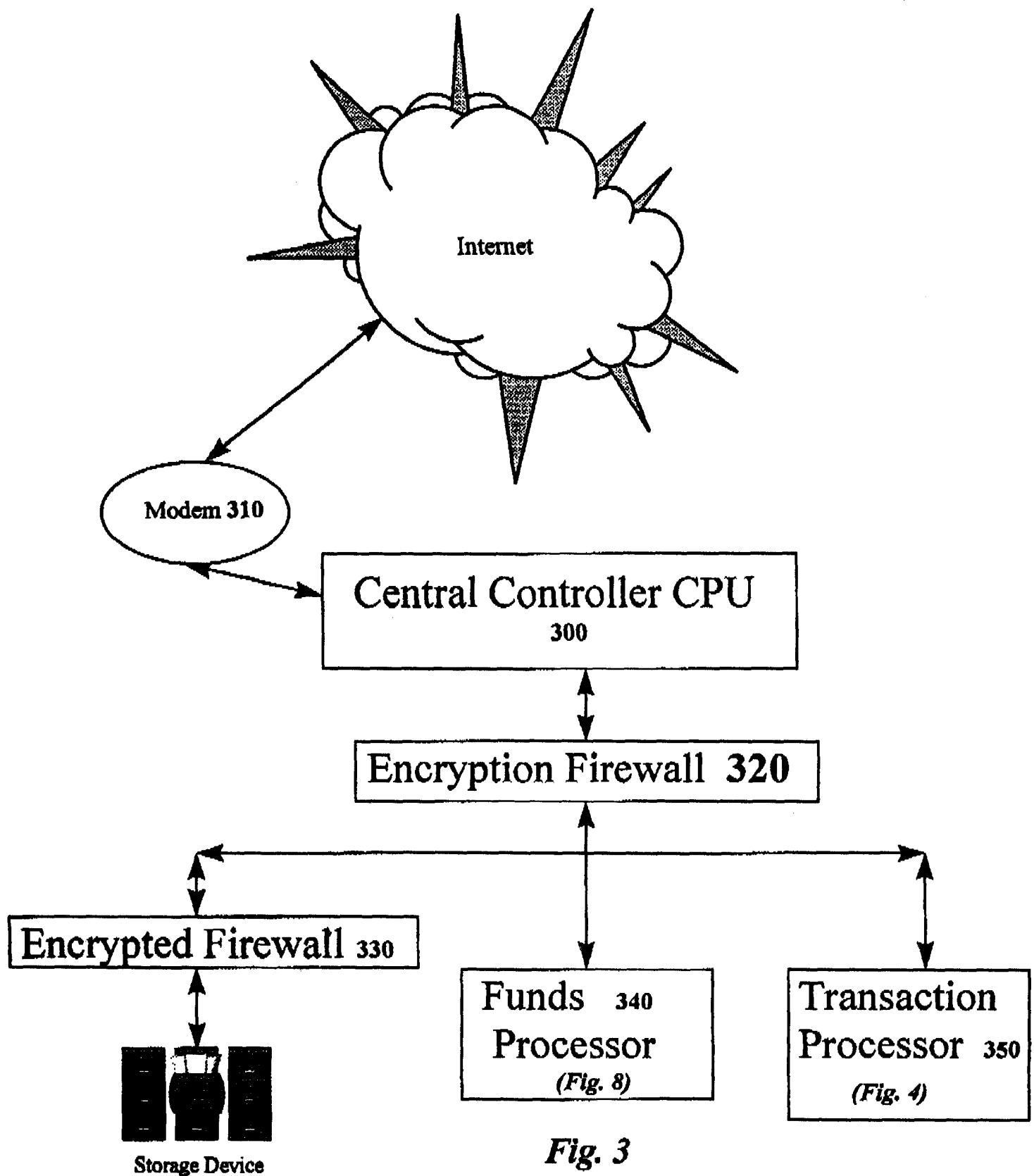


Fig. 3

Fig. 3 Description

Modem 310 may be a cable modem, fax modem or any means for receiving the signals generated by the front end system. These signals which are scrambled and otherwise encrypted are transmitted to the **Central Controller CPU 300**.

CPU 300 decrypts the signal and determines its disposition in the back end system. The signal is re-encrypted by **Encryption Firewall 320**.

Encryption Firewall 320 creates encoded signals which would be unintelligible to an unauthorized computer breaking into the system. Signals dealing with new accounts are routed through the new accounts routine and **Funds Processor 340**. Transaction signals are routed to the **Transaction Processor 350**. Signals of information requiring storage are additionally dynamically encoded by **Encrypted Firewall 330**.

Encrypted Firewall 330 is an encoder whose code continually changes to make it more difficult for an intruder to decode stored information.

Funds Processor 340 is a means for receiving money transfers and investing in currency trades.

Transaction Processor 350 is a means for routing transaction signals.

Transaction Processor

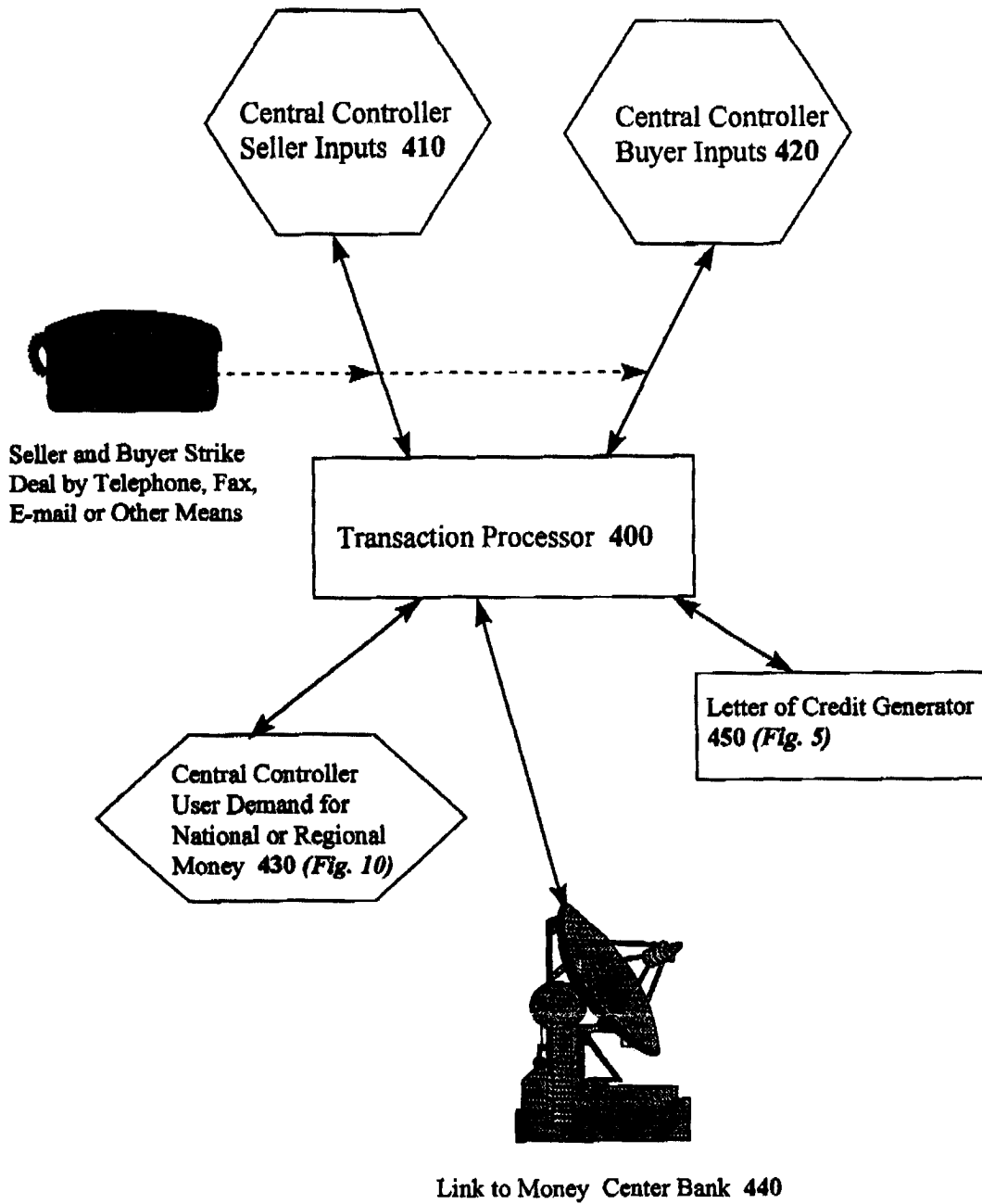


Fig. 4

Fig. 4 Description

Central Controller Seller Inputs 410 and Central Controller Buyer Inputs 420 reflect agreement reached by telephone, internet phone, fax, E-mail or other means of communication.

Central Controller User Demand for National or Regional Money 430 are inputs generated for the purpose of requiring translation of CC's into money needed by the user for settlement of obligations which require legal tender. For example, a U.S. multi-national company may need French Franks deposited in its bank account in Paris to pay French taxes.

Transaction Processor 400 recognizes encrypted signals from the Central Controller as instructions for funds transfers or interactive letter of credit creation or modification. If the latter, the instruction becomes and input for the **Letter of Credit Generator 450**; and, if the former, the instruction becomes an input for the **Link to Money Center Bank 440**.

The Link to Money Center Bank 440 causes funds on deposit for the system at the money center bank to be transferred to the user's bank. This can be done in whatever traded currency the user wants and wherever the user maintains an account with a money center bank correspondent.

The Letter of Credit Generator 450 causes an encumbrance as written by a buyer to be recorded against the buyer's CC money account and enables verification by the seller that such a record has been irrevocably established.

Letter of Credit Generator

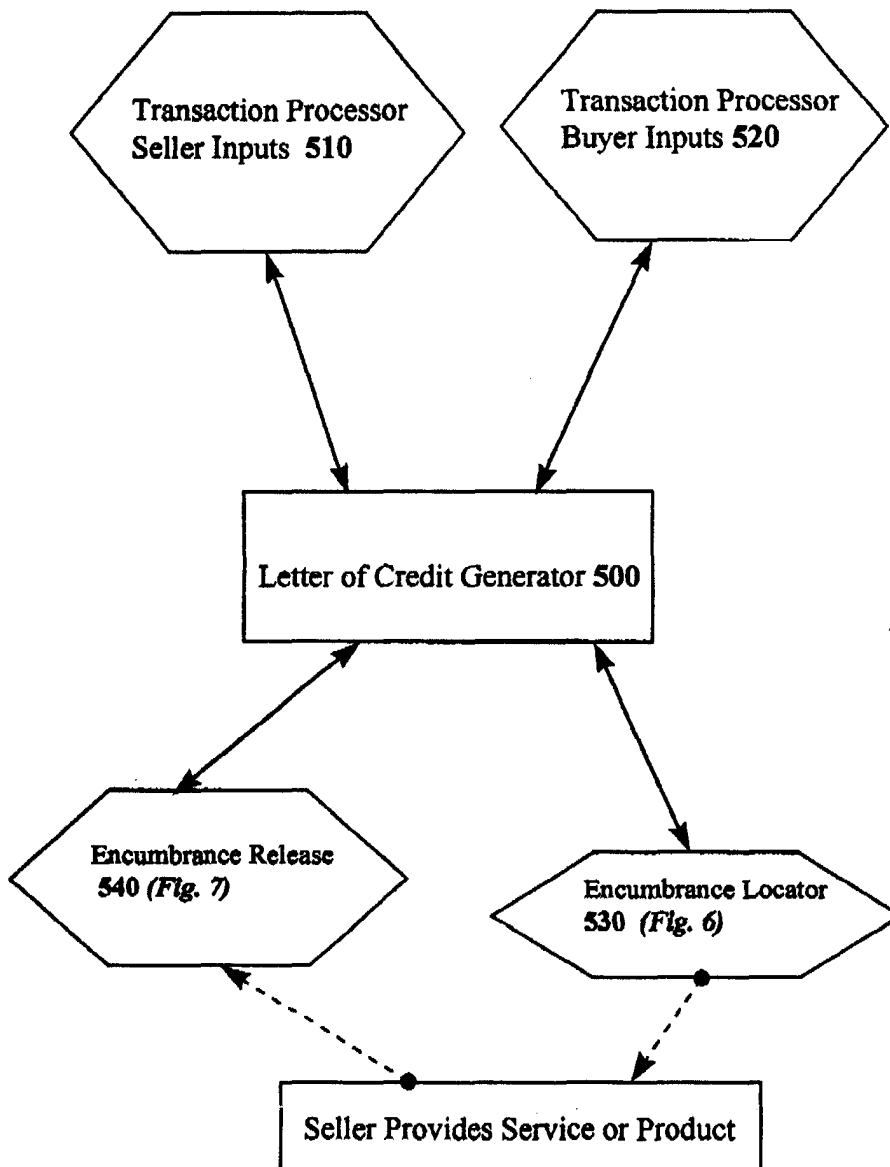


Fig. 5

Fig. 5 Description

Transaction Processor Buyer Inputs

520 constitute a purchase order and assurance of payment in the form of an encumbrance against the buyer's CC balance. The buyer's encumbrance can not be used for any other purpose than to pay the seller and can not be reduced without the seller's authorization, a court order or in the rare instance of a fraud investigation by the system operator finding in favor of the buyer.

The **520** input causes creation of a by in the **Letter of Credit Generator 500** which stores that record in the **Central Controller's Storage Device**. This record has an encrypted identifier which allows the seller to verify that the encumbrance record is in place. The encumbrance record and its identifier can be accessed by the **Encumbrance Locator 530**.

Transaction Processor Seller Inputs

510 are directed through the **Letter of Credit Generator 500** to the **Encumbrance Locator 530** for verification of the buyer's encumbrance in favor of seller.

Once the seller provides the service or product to the buyer, the buyer will authorize an **Encumbrance Release 540** procedure.

Encumbrance Locator

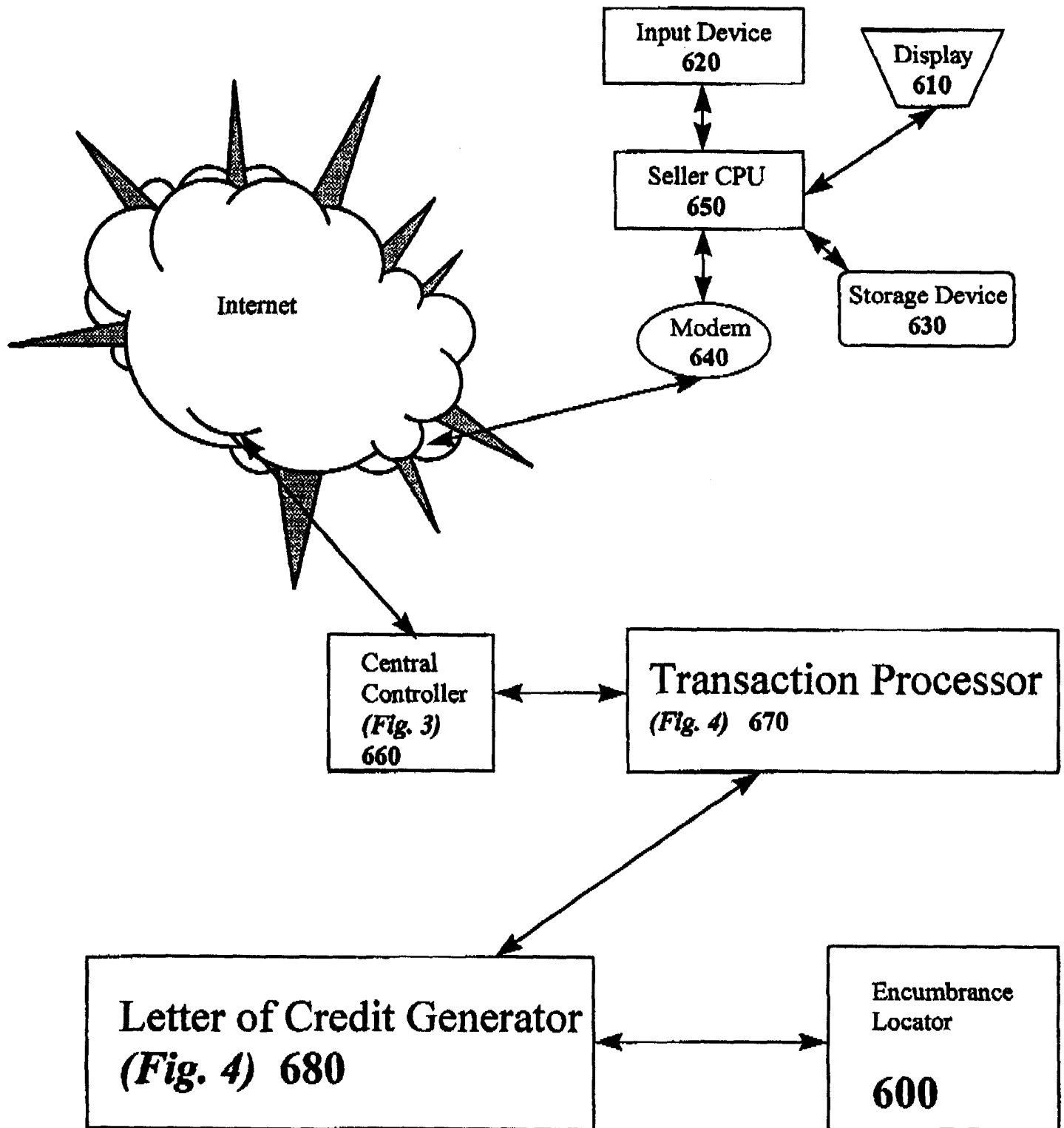


Fig. 6
pg. 15

Fig. 6 Description

Once the seller has struck a deal with the buyer, the seller needs to confirm future payment once shipment of product or provision of services occurs. This is done through an interactive letter of credit created by the parties and guaranteed by the automatic operation of the system.

Input Device 620 is a keyboard, mouse, magnetic card reader, scanner, voice recognition equipment, biometric equipment or any means for converting analog and/or mechanical energy into CPU readable digital signals. The device would be used by a seller in a transaction to communicate with **Seller CPU 650**.

To determine that an encumbrance against the CC balance of the buyer usually in the amount of the purchase order, the seller activates a button on his selling screen, "Locate Encumbrance". This digital signal is transmitted to **Seller CPU 650** which, in turn, transmits the signal to **Modem 640** and to **Storage Device 630**. The modem communicates the input through the internet to the **Central Controller** which directs the input to the **Transaction Processor 670**, the **Letter of Credit Generator** and the **Encumbrance Locator 600**. The **Encumbrance Locator 600** identifies the seller's computer and authorization and sends back a search parameter screen or a routine to determine the identity of the buyer's encumbrance.

As a result, **Display 610** indicates that the function button has been activated and the search parameter screen appears. The seller uses **Input Device 620** to respond to questions on the search parameter screen and communicate those responses to **Seller CPU 650** which replicates the above described digital

communication and processing path.

Encumbrance Locator 600 sends back confirmation of the buyer's encumbrance. The system prevents the buyer from using the encumbered balance for any other purpose than payment to the seller.

The **Encumbrance Locator 600** interacts as necessary with the **Letter of Credit Generator 680**, the **Transaction Processor 670**, the **Central Controller 660** and its storage device

Encumbrance Release

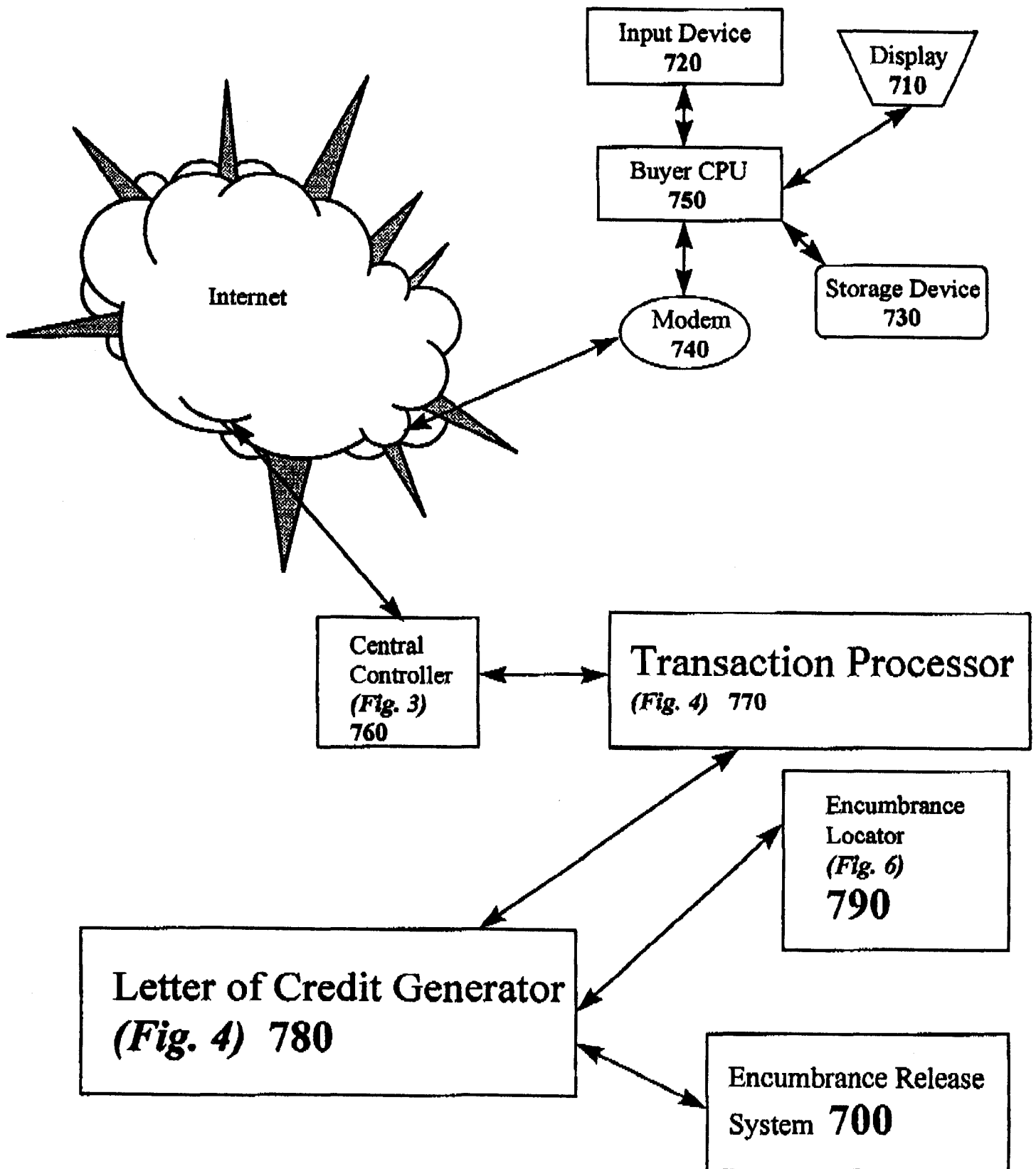


Fig. 7
pg. 17

Fig. 7 Description

After the seller has delivered the bargained for goods or services, the buyer can release the encumbrance covering the cost of the goods or services thereby immediately effecting payment. Alternatively, if the goods or services are not delivered completely as agreed the buyer and seller, acting together, can modify the encumbrance and then the buyer can release the modified encumbrance. In the rare case where the seller acts fraudulently or fails completely to deliver, the buyer has judicial recourse or can apply to the system management who will open an investigation and may remove the encumbrance based upon the findings of that investigation. What follows is the typical case.

Input Device 720 is a keyboard, mouse, magnetic card reader, scanner, voice recognition equipment, biometric equipment or any means for converting analog and/or mechanical energy into CPU readable digital signals. The device would be used by a buyer in a transaction to communicate with the **Buyer CPU 750**.

To release an encumbrance against its CC balance, the buyer activates a button, "Release Encumbrance" on its buying screen appearing on **Display 710**. The activation of the "Release Encumbrance" causes **Buyer CPU 750** to access **Storage Device 730** to identify all open encumbrances. **CPU 750** then causes all the open encumbrances to be listed on **Display 710**. The buyer then uses **Input Device 720** to select the encumbrance to be released. A digital signal thus transmitted to the **Buyer CPU 750** causes the record to be modified in **Storage Device 730** and **Modem 740** to communicate through the Internet with the **Central Controller 760**.

The **Central Controller 760**, causes the **Transaction Processor 770** to initiate and implement a check of **Letter of Credit Generator 780** to verify the **Encumbrance Locator 790** has communicated the encumbrance information to the CC account to be credited. Once verification is complete, the **Letter of Credit Generator 780** causes the **Encumbrance Release System 700** to transfer the released encumbrance CC balance to debit the CC account of the buyer and to instantly credit the CC account balance of the seller. Confirmation is then conveyed back through the system to **Storage Device 730**.

Funds Processor

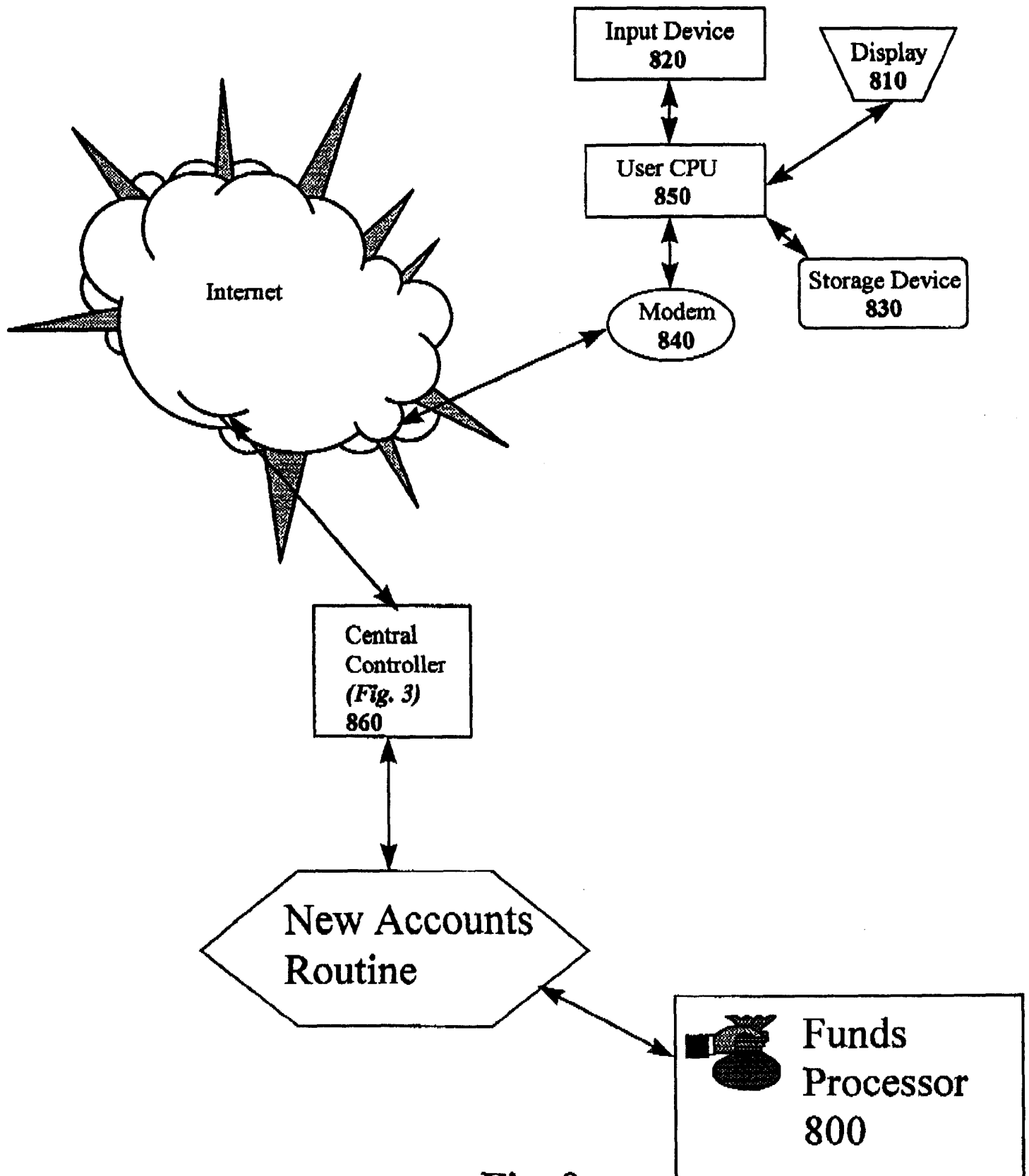


Fig. 8
pg.19

Fig. 8 Description

As part of opening a new CC money account or increasing the balance in a previously opened account, the system uses the **Funds Processor 800** as a means for accepting delivery of local funds and trading of these local funds. While the medium term trend of the U.S. dollar is up against the incoming local funds, the **Funds Processor 800** will automatically establish a connection back through the **Central Controller 860** with its internet trader who will sell the currency short just before the user receives credit in its CC money account. When the intermediate term trend of the U.S. dollar is down against the incoming local money, the **Funds Processor 800** will automatically sell the local currency long or, if it is a designated reserve currency, hold it long. The purpose of this procedure is to protect the soundness of the system's reserve currencies. Funds can be accepted by wire transfer, cashier's check, certified check, regular check after clearing, draft authority against a line of credit, credit card transfer, draft and banker's acceptance or other form of transfer but not cash. Funds are deposited in reserve currency money center banks. The **Funds Processor 800** has an input device for recording these deposits in the **Central Controller 860** storage device and confirming the CC money credit back through the system to **User CPU 850** and its **Storage Device 830**. capability.

Input Device 820 is used to respond to the Internet Web Page and Electronic Interview sent back by the **New Accounts Routine** through the **Central Controller 860**, the Internet, **Modem 840**, the **User CPU 850** and **Display 810**. Funds transfers can also be effected by telephony or using **Input Device 820** when the user has separate electronic funds transfer

New Accounts Generator

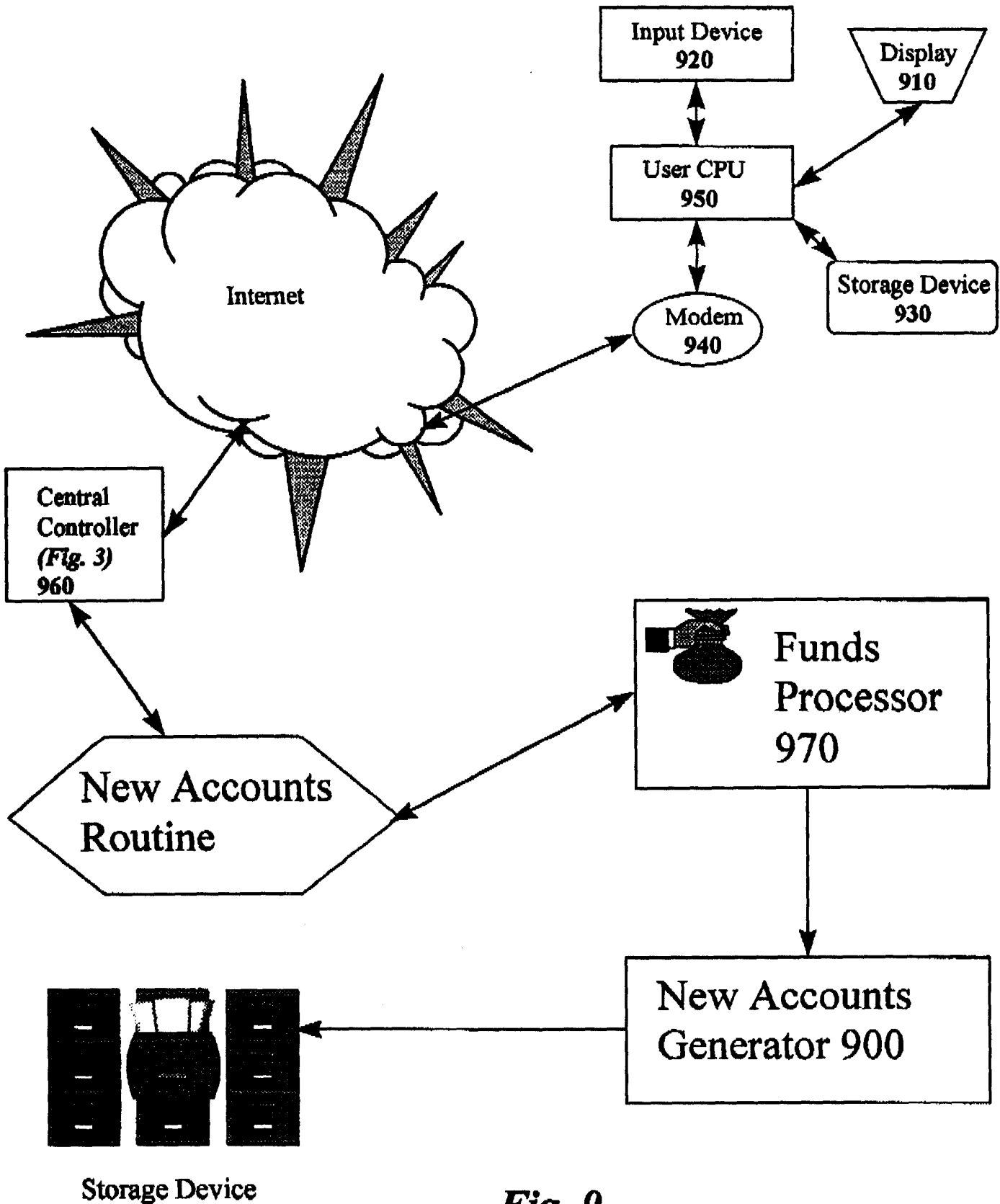


Fig. 9
pg. 21

Fig. 9 Description

The New Accounts Generator 900 assigns a unique address and identifier code to the new account. Funds received and entered by the **Funds Processor 970** are associated with the account address and identifier code and recorded in the **Central Controller 960 Storage Device**.

Although the identifier code is assigned randomly and unknown except as digital entries in the **user Storage Device 930** and the **Central Controller 960 Storage Device**, the account address is selected by the user as an easily remembered set of words or names fitting a fixed pattern. This allows users to identify each other. The identifier code is a validation key to the encryption system.

Using **Input Device 920**, the user responds to the **Internet Web Page** and **Electronic Interviewer** part of the **New Accounts Routine**. Responses are communicated to **User CPU 950** which directs signals to **Storage Device 930** and **Modem 940**. After funds are deposited to establish the account, the **New Accounts Generator 900** requests the user to select an address. This request is transmitted through the **Internet** to **Modem 940** which inputs the request to **User CPU 950**. **User CPU 950** causes the request to appear on **Display 910**. The user indicates the desired address using **Input Device 920**. This information is conveyed upstream to the **New Accounts Generator 900**. The requested address is then compared to all other addresses contained in the **Storage Device**. If the address is available, it is assigned to the new account and confirmed downstream to the user.

Curreny Demand

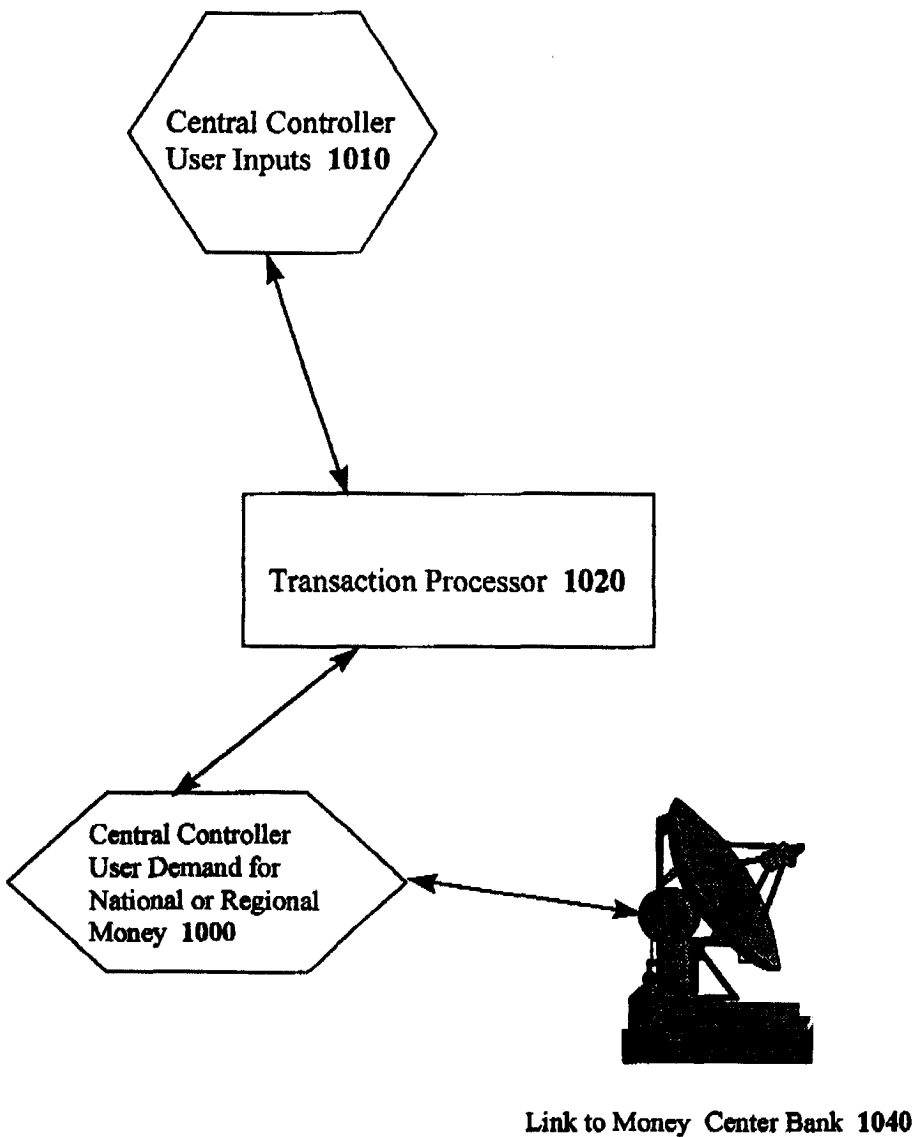


Fig. 10

Fig. 10 Description

Central Controller User Inputs 1010 not constituting a request for deposit of local funds cause the **Transaction Processor 1020** to direct the transaction to the **Letter of Credit Generator** (not shown - see *Fig. 5*).

Central Controller User Demand for National or Regional Money 1000 are inputs to the **Transaction Processor 1020** which causes a routine to be activated. This routine verifies authorization, that the User's unencumbered CC balance is sufficient to cover the cost of the funds to be transferred, that the banking link information of the User is adequate to handle the requested transfer and that there are local funds requested available to the system's local **Link to Money Center Bank 1040**. If enough local money is not available for the transaction, the **Transaction Processor 1020** automatically generates an order to purchase the needed currency and transfer the same to the local money center bank acting as the transaction disbursing transmitting agent.

Acknowledged

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